

Interest group organization

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Interest group organization

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Overview

The structure and function of organized interests differs between countries, sectors, social categories, target environments and the substance of the interests involved, as well as over time. While some interest organizations remain highly fluid and informal, others are firmly established and institutionalized; while some are narrow and specialized, others are broad-based and encompassing. The range of variation extends from single-purpose 'pressure groups' that may exist only for a limited time, to 'quasi-non-governmental organizations' that regulate the behaviour of their members in line with a negotiated or imposed 'public interest'. Accordingly, the study of interest groups covers anything from bird watchers to international trade union confederations. Organized economic interests, on which this entry focuses, date back to the rise of 'organized capitalism' at the end of the nineteenth century, and their development was always closely related to that of the modern nation-state. While they also differ widely, their organizational structures tend to be comparatively permanent and formalized.

This entry begins with a brief introduction to relevant theories of collective action and to a number of central concepts of interest group

analysis, especially intermediary organization, corporatism, organizational properties, organizational development, and associational systems. It then proceeds to discuss in more depth the two most important economic interest groups, unions and business associations. This is followed by remarks on the relationship of organized interests to the public order and to economic performance. The entry closes with observations on organized interests in transnational settings and on the future of organized interests generally.

1 Collective interests, collective action, and interest group organization

Most of the modern literature on organized interests proceeds from a now generally shared analysis of what is seen as a potentially self-defeating logic of rationally motivated collective action. The achievements of a collective interest organization tend to be collective goods for the group whose interests the organization represents. That is, the benefits of organized collective action on behalf of a group cannot typically be withheld from individual members of that group, regardless of whether they have contributed to their production or not. Especially where the number of potential beneficiaries is large, and the potential contribution of any individual group member therefore marginal, there may be a strong incentive for rational actors not to contribute to the costs of organized collective action, although this may eventually mean that a generally desired collective good will not be produced.

As Mancur Olson has pointed out, organized interest groups typically try to close the gap between individual and collective rationality by offering their clients so-called 'outside inducements' (Olson 1971). Unlike the collective benefits for the pursuit of which interests become originally organized, outside inducements can be selectively reserved to

members or contributors to the organization. Outside inducements may consist in special economic rewards or in ideological approval; they also include (the threat of) compulsion. The success of collective interest organization depends to a large extent on whether organizers ('interest entrepreneurs') have or can acquire the means to generate a sufficient supply of outside inducements.

Interest organizations translate individual into collective interests, and collective interests into organizational goals; in so doing they aggregate and operationally define the interests they represent. In this they confront a number of further dilemmas. For example, the closer the goal of an interest organization to what its members perceive to be their interests, the easier it should be for the organization to rely on the intrinsic attraction of its primary objectives to motivate contributions from members and potential members. But perceived interests and organizational goals are likely to be close to each other only if the represented group is homogeneous and, as a consequence, small. While small groups may more easily overcome the collective goods problems of collective action, however, they are likely to be less politically effective than they could be if they were broader based. On the other hand, organizations representing large and therefore, *ceteris paribus*, heterogeneous groups have to aggregate a wide range of special interests into a common collective interest that must inevitably appear diluted from the perspective of subgroups or individual members. The more removed the goal of an interest organization from the specific experience of its individual members, the less it is likely to be of use for motivating contributions, forcing the organization to rely increasingly on outside inducements. To the extent that large size and a broad membership base enhance an interest organization's political influence, there may therefore be a conflict between representativeness and effectiveness (Child *et al.* 1973).

2 Intermediary organization

Interest organizations are usually voluntary associations created to promote the interests of their members in relation to other political

and economic actors. In pursuing their objectives they interact with their constituency on the one hand and other organized groups and the state on the other (Schmitter and Streeck 1999). The interaction between an interest organization and its constituents is governed by the interest perceptions and demands of the latter; by the willingness of the members to comply with decisions made on their behalf; by the means available to the organization for controlling its members; and by the collective benefits and outside inducements the organization has to offer: together these constitute what has been called an organization's logic of membership. The interaction between an interest organization and its target environment is affected by the demands the organization makes on the latter; the incentives the organization has to offer its interlocutors; the compromises it is willing and able to negotiate; and the extent to which it can 'deliver' its constituents. This interaction will also be affected by the constraints and opportunities offered by the target environment, especially for the establishment of lasting relations of political exchange; the concessions offered to the organization; and the degree to which the organization is granted privileged access and status within its institutional context. This interaction reflects what may be referred to as a *logic of influence*.

To establish themselves safely and mediate effectively between their two environments, interest organizations must build organizational structures that can respond to both logics simultaneously (see ORGANIZATION STRUCTURE). As the demands made on interest organizations by members and interlocutors may be different and indeed sometimes contradictory, this involves complex choices. Successful management of the logic of membership requires authentic representation of member perceptions and demands, while political influence often depends on a capacity to moderate member demands and offer compromises in exchange for concessions. Moreover, the logic of membership speaks for the formation of homogeneous and, as a result, small organizations. Typically these must compete with other small organizations representing equally narrow special interests, inside a fragmented system of interest group

pluralism (see below). By comparison, the logic of influence tends to place a premium on interest organizations being broadly rather than narrowly based, and representing more general instead of highly special interests. This is because encompassing organization makes collective interests more negotiable and reduces transaction costs for interlocutors. To build lasting relations of political exchange with their interlocutors, as well as enhance their own stability and security, interest organizations may therefore require organizational characteristics that may make it more difficult for them to procure legitimacy for themselves under the logic of membership.

To become part of what the literature calls a corporatist system of interest intermediation, interest organizations must develop their organizational properties so as to become corporate actors in their own right. In this they may draw on the support of actors in their influence environment, to the extent that these are interested in stable, reliable and above all moderate representation of the groups in question (see CORPORATISM). To generate member

compliance and ensure moderation of demands and adherence to negotiated agreements, interest organizations can often rely on organizational privileges granted to them by their interlocutors, in exchange for delivering the discipline of their members. In the process they may cease to be just 'pressure groups', or 'lobbies', and turn into private governments, or agents of collective self-regulation (Streeck and Schmitter 1985). Organizations that become too closely involved in the logic of influence, however, may cease to be intermediary organizations and turn into extended arms of the government (i.e. into quasi-governmental agencies) or become representatives of interests opposed to those of their constituents ('yellow unions'). Striking a balance between weakly organized, fragmented, competitive and member-responsive pluralism on the one hand and absorption into their institutional target environment on the other is the central political and organizational problem for intermediary organizations (see Figure 1).

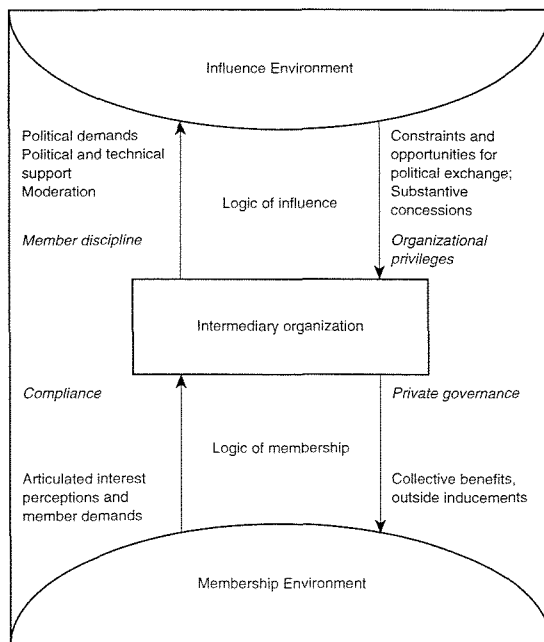


Figure 1 The logic of membership and influence

3 Development of organizational properties

As interest organizations become going concerns, they tend to develop interests in themselves that add to and modify the interests of their members and the pressures emanating from the logic of influence. In much of traditional sociology, these secondary interests are identified with those of the organization's 'bureaucracy'. More generally, such interests can be said to reflect pressures to economize on the costs of collective action, through professional management and the routinization of internal procedures and external political access. Organizational stability and security, which protect past investment in collective action capacity, are sought especially by an organization's professional staff, who are typically interested in a stable and independent stream of income for the organization as a condition of their own economic security. A driving force in the development of organizational properties tends to be an organization's professional staff, which is typically interested in a stable and independent stream of income for the organization as a condition of its own economic security.

Developing interest organizations seek stable relations, not just with their constituents, but also with their target environment – the former by turning clients into members with formally defined duties of material support and political discipline, and the latter through mutually agreed routinized procedures of consultation, negotiation and political exchange. In this way interest organizations try to limit their resource dependency on their two main environments. To the extent that an organization's original goals are not or only partly compatible with the development of organizational properties, processes of goal displacement can be observed as interest groups cease to be social movements and assume features of formal organizations.

Increasing formalization of relations between an interest organization and its members strengthens member discipline and thereby enhances the negotiating capacity of the organization in its target environment. To the extent that this improves the organization's ability to provide its members with col-

lective goods or outside inducements, better adjustment to the logic of influence may increase its legitimacy under the logic of membership. An organizationally developed interest group that is firmly established in the polity-at-large can, however, also afford to disappoint member expectations where these are not realistic or where longer-term interests, including those in the external recognition of the organization itself and the continuity of its political access, require concessions to powerful interlocutors. Well-developed intermediary organizations, in other words, can rely on resources supplied by their target environment under the logic of influence to control their member environment under the logic of membership, and not just vice versa (see Figure 1).

Put differently, as interest organizations become more organized, their interlocutors under the logic of influence may offer them various sorts of support in managing their logic of membership. In exchange, interest organizations may moderate their goals, defining their members' interests in ways that are more compatible with the demands of their influence environment (the 'polity'); this process has been described as *political exchange*. As noted, broader-based and more heterogeneous interest organizations are more autonomous with respect to the definition of their goals. This is why interlocutors of organized interest groups sometimes offer them incentives for, and assistance in, expanding their domains and consolidating into what Olson calls an 'encompassing organization'.

One way in which governments and organized interlocutors may reinforce an interest organization's governing properties is by granting it a monopoly of representation. Where such a monopoly exists, as it often does in corporatist systems of interest intermediation, dissatisfied members cannot easily sanction the organization by resigning from it. Similarly, governments may explicitly or implicitly recognize decisions made, or agreements negotiated, by an interest organization as equivalent to public legislation. They may also make binding such decisions or agreements to all members of a given group, regardless of whether or not they have joined the organization, creating a strong incentive to

join it in order to be able to influence it. It is also possible that governments make membership in certain interest organizations compulsory, the best-known example being the Business Chamber in Austria (*Wirtschaftskammer Österreich*) which is the country's main employers' association.

4 Associational systems

Interest organizations exist within national or sectoral systems of organized interests that consist of populations of organizations representing related and conflicting interests (see EMPLOYERS' ASSOCIATION). Organizations that belong to the same associational system tend to have similar characteristics, because they must respond to identical or symmetrical constraints and opportunities. For example, where unions are weakly developed and fragmented, the same tends to be true of employers and business associations. Also, where one group is organized in a corporatist fashion, others are unlikely to be organized in a pluralist mode.

Although it is possible that related interests are represented by just one encompassing organization – as is by and large the case in the organization of business interests in Austria – usually the representation of a given social category is divided between several organizations. Populations of related interest groups vary with respect to the degree of their organizational fragmentation; the more units they contain, the smaller and more internally homogeneous these are, and the more likely there will be competition between them, for members as well as for influence. To eliminate competition, economize on scarce resources and increase their political influence, related interest groups may merge. Alternatively, where internalization of differences among related interests in one encompassing organization is not possible or deemed undesirable, interest organizations may form various sorts of alliances to share facilities and coordinate efforts in relation to joint task environments.

Coordination between organizations of related interests can take a wide variety of forms. In some cases it may be a perfect substitute for encompassing organization, with

respect to the aggregation of divergent member interests as well as the achievement of representational monopoly. Strong forms of external as distinguished from internalized coordination are associations of associations, or higher-order associations, sometimes culminating in national or supranational peak associations. These may themselves assume characteristics of corporate actors and exert considerable control over their affiliates. While federal structures of this sort, which in some countries extend over three or four hierarchical levels, may be expected to be somewhat less restrictive than unitary organizations with respect to the articulation of subgroup interests, in practice even the most unitary interest organization must allow subgroups in its constituency some degree of independent expression.

Summing up so far, pluralist systems of organized interests consist of narrowly based and, *ceteris paribus*, small independent units with self-defined domains attuned to the logic of membership. Material resources come mainly from members; as in social movements, their supply expresses and depends on spontaneous and voluntary support for current policies. Within their target environments, pluralist interest organizations have no privileged status and remain independent from their interlocutors. As a result their policies tend to correspond closely to the short-term perspectives of their members. To avoid ruinous competition, pluralist interest organizations come under political and economic pressure to seek external coordination with related interests through inter-organizational relations; sometimes this leads to hierarchical affiliation to higher-order associations. By comparison, broad-based and, as a consequence, large organizations, as characteristic of corporatist systems of interest intermediation, internalize coordination functions; while their structures must therefore be more complex, the associational systems of which they are part are simpler and external coordination, including avoidance of domain overlap, is easier.

Simplification of associational systems through integration of related but diverse interests in encompassing organizations, and successful management of the resulting inter-

nal diversity, is facilitated by political recognition and material support from the target environment; such support may be offered in exchange for improved aggregation and increased moderation of demands, and generally for assumption of responsibility for the enforcement of agreements and for self-regulation in the 'public interest' (see below). Assumption of such responsibilities, as a way of giving associations access to external support for expanding and stabilizing their domains, improving their ability to control their members, enabling them to rationalize their operations, and making their access to interlocutors and their supply of resources more reliable, turns interest organizations into intermediaries between their members and their target environment, with the logic of influence balancing the logic of membership.

5 Trade unions

As a historically highly influential interest group, trade unions represent the interest of employees *vis-à-vis* employers with regard to the regulation of the employment relationship, and *vis-à-vis* public policy with regard to the provision of welfare (see TRADE UNIONS). Unions' organizational and political capacity depends on the size of their constituency and its position in the production process.

Trade unions may organize either small and cohesive groups of employees with high skills and a strong bargaining position, or large numbers of unskilled workers whose successful representation requires political support. *Craft unions* representing small groups of skilled employees are potentially able to control production arrangements, the local labour market, and the provision of vocational training. Due to their privileged position in the production process, craft unions often succeeded in creating entry barriers to employment – making employment conditional on union membership – and in exercising effective control over their members, not least during strikes. Their influence, however, depends on a given organization of work which they therefore are bound to defend against technological change. General or industrial unions, which emerged with the increase in the number of unskilled labourers at

the beginning of the twentieth century, are in principle open to all workers, regardless of skill or trade. They draw strength from mobilizing large numbers, rather than from control of sectoral labour markets or specific production arrangements. They also rely on political in addition to industrial action.

The evolution of trade unions took place in close relation with state regulation of employment and working conditions. Legal recognition of trade unions as legitimate collective actors often turned into active support for collective organization. Governments often helped unions establish a *de facto* monopoly of representation, for example in Germany and Austria where encompassing industrial trade unionism is favoured by legal rules on collective bargaining and workplace participation. In the Anglo-Saxon countries, craft unions were allowed to enforce compulsory membership in post- or pre-entry closed shops until the 1980s. Similarly, in many Nordic and continental European countries trade unions are still in charge of administering public social security funds, which they use to recruit members. As governments and employers found it more beneficial to deal with organizationally secure and, as a result, more responsible trade unions, institutional support to help unions overcome their collective action problems was and continues to be frequently provided.

6 Business and trade associations

Business has a twofold interest in collective action. Employers associations are the response to the unionization of workers while trade associations represent interests in state support for free markets and profitability of private enterprise (Schmitter and Streeck 1999). In some countries and sectors, the labour market-related 'social' interests and the product market-related 'economic' interests of business are represented by different organizations, or sets of organizations, whereas in others they are jointly represented.

Compared to trade unions, business associations tend to be less cohesive and centralized. Despite the fact that there are far fewer firms than employees, the number of business asso-

ciations exceeds that of trade unions by far. One study of the 1980s investigating business and labour associations in 56 sectors in nine countries found that there were more than 16 business associations to one trade union (Streeck 1992). Business associations are fragmented in both sectoral and regional terms. They are also often divided by firm size. While big firms find it easier to lobby on their own, they also have an interest in protection against excessive trade union demands; such protection they may be particularly likely to find in an employers association that includes also small firms. Size differences between firms are taken into account by business associations linking membership dues to employment or turnover, and voting rights to dues paid. Equal voting rights are found mainly in business associations with obligatory membership, such as the Austrian *Wirtschaftskammer*. Outside Austria, obligatory membership in business associations is largely confined to the artisanal and small business sector.

The comparatively high fragmentation of business associations has its source in the competitive and business relations between firms. While competition for workers between firms in tight labour markets may contribute to collective organization, product market competition tends to diversify business interests. Also, firms are involved in more product than labour markets, leading to greater fragmentation of their product-related than their employment-related interests. Employers associations therefore tend to be more encompassing than trade associations. Moreover, supplier relationships between firms may give rise to further divisions of interest, to the extent that large firms may be tempted to turn over to their suppliers the costs of concessions they had to make to trade unions.

7 Interest associations and the public order

The rise of powerful interest associations in the twentieth century was accompanied by their progressive integration in the public order. Pluralist political theory assumes that the primary purpose of interest associations is lobbying the government. This overlooks the

manifold governing functions performed by associations in modern political systems (Grant 1985; Streeck and Schmitter 1985). Organized private interests are widely relied upon by governments as agencies of state-licensed and assisted self-regulation of groups and sectors, providing an attractive alternative to direct state intervention. The delegation of public policy functions from the state to private interest organizations may benefit governments especially with respect to gaining legitimacy, obtaining expert information, and implementing political decisions.

- In highly contested areas such as employment and wage regulation, decisions negotiated by associations representative of the interests affected may have higher legitimacy than government decisions. Moreover, unsatisfactory outcomes can be blamed on the associations and do not in principle detract from the legitimacy of the government or the state.
- In areas like technical and product standardization, governments face almost insurmountable problems of obtaining the expert information necessary for effective regulation. In many countries and sectors, this has induced them to delegate governance functions to interest associations. Standard setting in telecommunications, for example, has largely been left to associations of producers, as the complexity of relevant technical details often exceeds the capacities of public authorities. In particular with regard to emerging technologies (e.g. the Internet) and emerging markets (especially in international finance), where regulation often concerns primarily the distribution of risks, producer groups are frequently invited to negotiate the relevant regulations between themselves as they seem to be both most directly concerned and best informed.
- Policy implementation can be improved by including affected interest associations in the formation of policies and charging them with supervising their implementation. Since voluntary associations often have greater influence on their members than public agencies, voluntary codes of behaviour adopted through associations

may be efficient regulatory instruments. This can be observed in areas where collective action is beset with free rider problems, such as vocational training. Business associations in cooperation with public authorities may be able to persuade companies to offer training facilities by turning training into a matter of reputation. Also, moral hazard problems which are particularly prominent in the weakly regulated international economy, may be more easily overcome when associations negotiate regulations and are in charge of monitoring them.

8 Interest associations and economic performance

For much of economic theory, organized interests reduce the efficiency of an economy because they are likely to engage in rent-seeking and externalize the costs of their activities to outsiders. For instance, business organizations might try to restrict market entry so as to enable their members to mark up the prices of their products. Similarly, unions might set wages at levels which lead to a reduction in employment at the expense of the unemployed. Just as with government intervention, the intervention of association is said to distort markets and inhibit market clearing.

However, associations do not always behave like rent seekers. When the membership of an association includes a significant proportion of the general public, the distinction between insiders and outsiders may become meaningless (Olson 1982; Calmfors and Driffill 1988). Large encompassing interest associations internalize a large share of the costs of their activities to society, which may make them more responsive to the market. It is mainly small and narrowly based associations that have an incentive to act as distributional coalitions, as they are in much better position to externalize the costs of their rent-seeking to others. Public intervention via the logic of influence, inducing associational systems to become less fragmented and associations more encompassing, may thus be in the public interest.

Moreover, under certain conditions other organizational properties may have the same

effect on associational behaviour as large size. For instance, associations that have a monopoly of representation often act as though they had a high density of membership, even though in fact they do not. Monopoly representation is often granted on the assumption that associations will represent everybody in their domain, members or non-members. Furthermore, associations that are in a position to set a behaviour pattern for other associations – ‘wage leaders’ or ‘price leaders’ – may find it rational also tend to take the external effects of their actions into account. And associations involved in close relations of political exchange also show a higher degree of responsiveness and responsibility as their recognition by their interlocutors is based on an assumption of reciprocity.

Associations may also help facilitate and coordinate cooperative relations between firms. By helping firms share information, associations may serve as important intermediaries between the market and hierarchical decision making. However, although the economic literature has investigated the role of bounded rationality and uncertainty, little research exists on the contribution potential of associations to the production of cooperative gains between companies. While trust and reputation are often seen as crucial factors explaining cooperation in non-cooperative games, the role of associations in building trust by selecting and disseminating reliable information, as well as supporting informal network relations, has largely been neglected.

9 Transnational pluralism

Interest group development, from pluralist representation to corporatist intermediation, depends on the presence of strongly organized interlocutors and, above all, on a supportive political and legal system. While these conditions existed in varying degrees in most if not all advanced nation-states during the twentieth century, they are largely absent in international settings. This may explain why most interest organizations that operate above the nation-state tend to be highly specialized, narrow in scope, fragmented, movement-like, closely controlled by their members, and not well resourced – unless they are *de facto*

quasi-governmental agencies supported by intergovernmental or supranational authorities that depend on them for technical information and political legitimacy. Still, international agencies seem generally less able than national ones to create incentives for, or impose obligations on, organized interests to negotiate with each other or assume quasi-public responsibility for governing their members.

Similarly, nationally organized interests often resist being governed by transnational peak associations. Where such exist, they are mainly used as forums or meeting places for the coordination of what remain basically national interests. International interest organizations that group together national constituents therefore typically lack important characteristics of corporate actors. Even inside the European Union, interest organization at national level continues to be much more developed than at supranational level – the latter serving primarily as a lookout post for national associations surveying the growing externalities under which national actors must today operate. Another factor that stands in the way of national systems of organized interests being absorbed into an encompassing supranational system is their vast historically grown variety, which makes any transfer of governing capacity to the European level unpredictable and asymmetric in its consequences.

Not that the European Union had not tried to bring a transnational system of interest intermediation into being (see EUROPEAN UNION). In particular, the European Commission has long undertaken to beef up the European peak associations of business and labour by instituting a so-called 'Social Dialogue'. Since 1992, agreement among the 'social partners' may even produce European legislation on a range of social policy issues. Still, nationally organized interests of both labour and business continue to be unenthusiastic about allowing their European representatives to make binding decisions on their behalf. Moreover, the interest of business in liberalization of the European political economy seem to be best served if the organized representation of employers at European level remains weak and therefore unable to commit its constitu-

ents in negotiations with organized labour or European authorities. This may be somewhat different in policy areas other than social policy, where the European Commission relies heavily on the technical assistance of – sectorally highly specialized – national and supranational interest groups.

That supranational and international systems of interest organization tend to be more pluralist than corporatist is also due to the strong presence in international settings of large multinational firms. Such firms, which are usually capable of making themselves heard on their own, tend to have little inclination to have their interests diluted by joint organization with others. Much attention has recently been paid to transnational non-governmental organizations, like Greenpeace, which are essentially social movement-like pressure groups funded by voluntary contributions from supporters in developed countries. There are indications that certain international organizations are beginning to rely on them regularly for information and mobilization of support, and that their organizational properties are developing as a result.

10 The future of organized interests

Recent years have witnessed a declining willingness among individuals and firms to have their interests collectively represented. There also seems to be a tendency on the part of governments to rely less on organized interests for the performance of public policy functions than was the case in the past. Labour unions in most countries are losing members while many among the growing number of large international firms tend to do their lobbying for themselves, even in countries where this was not traditionally done. Interests generally seem to become more specific and less amenable to aggregation or generalization. While this may be due to changing social attitudes, it may also reflect growing competitive pressures and a declining capacity or willingness of governments in a global economy to shield national economies from international markets. There are also indications that collective goods are valued less than in the past, and institutions previously credited with posi-

tive effects for the collective well-being are coming under suspicion for fostering and hiding anti-competitive behaviour.

Present tendencies towards disorganization of advanced political economies may, however, be overstated. In many European countries trade unions are still strong politically and organizationally. While sectoral collective bargaining may be declining in a number of countries, unions continue to be regarded by many governments as indispensable participants in national social pacts for wage moderation and employment. Also, bipartite cooperation arrangements between governments and organized interest groups seem to survive in many sectors, and they are growing in various transnational settings where a unified political government is missing. On the other hand, even where corporatism does not disappear, it is changing under pressures on governments to 'get the incentives right' and ensure that the costs of the organized pursuit of collective interests are borne by those that also reap the benefits, rather than by the public at large. The overall impact of these developments on interest organization in advanced industrial societies is uncertain, given the as yet unknown but surely fundamental effects of the new information technology on service organizations generally, including organized interests.

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See also: CORPORATISM; EMPLOYERS' ASSOCIATION; GLOBALIZATION; ORGANIZATION BEHAVIOUR; ORGANIZATION BEHAVIOUR, HISTORY OF; ORGANIZATION STRUCTURE; TRADE UNIONS; WORLD TRADE ORGANIZATION

Interest groups

- 1 **Participating in interest groups – the external political environment of business**
- 2 **Resources with which to influence public policies**
- 3 **Interest representation in public policies**

Overview

The term 'interest group' is used by different writers in different ways. One use is to reserve the term for public pressure groups, such as consumer, environmental, or animal welfare activists. In these accounts, 'interest groups' are those open to any individual from the general public wishing to join, and are to be distinguished from private associations open only to producer interests, such as trade associations organizing companies, trade unions organizing workers, and associations of the professions. Other accounts, however, use the term 'interest groups' in a more generic sense to cover all of these types of interests, making distinctions where necessary between 'private' and 'public' interests. This entry adopts the latter, generic use of the term, with coverage of private and public interests from the perspective of business.

Interest groups such as trade associations represent one way for firms to manage their external political environments. For smaller firms, they may represent the only practical means to do this. For large firms, the tendency towards ever-increasing size has resulted in a growing number with their own public affairs capabilities, with the result that trade associations are frequently just one amongst a range of strategies for companies to influence public affairs. These tendencies have resulted in greater dialogue between public administrations and companies, and consequent erosion of depth in the relationship between business interest groups and governments. If members can bypass their trade associations, the influ-

ence of trade associations is likely to be eroded.

In general terms, the influence of an interest in public affairs depends mainly upon its ability to make itself indispensable by providing key resources which governments need, such as information, expertise, or wealth generating capacity. Interests in possession of a sufficient quality of these are potentially able to operate inside government, where both parties work together in closed policy making communities, to the exclusion of others. 'Insider interests' enjoy monopolistic access over public policies, particularly in 'low politics' fields involving everyday technical issues, whereas in 'high politics' fields involving politicized issues debated in public arenas, they operate on more of a 'level playing field' with other types of interests. 'Outsider' interests therefore seek to disrupt closed 'policy communities' by politicizing issues.

There are however important qualifications to be made to these simple rules of influence. One concerns the ability of similar interests to act together cohesively in interest groups. Thus, otherwise resource rich interests can remain relatively uninfluential with government because they are disorganized or divided as collective entities – the world of business is full of industries that are 'economic giants yet political dwarfs'. A second is the extent to which public administrations, under certain circumstances, can be relatively insulated from pressures by private interests. Central Banks or Health and Safety Executives are examples of such institutions. Beyond this, the dispersal of public authority through several institutions, such as the architecture of the European Union where decision making involves the Council of Ministers, Commission and Parliament, may enhance the autonomy of public authorities from private interests, in that agreement at one level has to survive another.